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SEPTEMBER 2007
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KIDS & FAMILIES

KIDS AND CREDIT: CARE enough to warn them!

By Molly Giles

Listen up, kids. A local judge who heads a national education crusade, along with area high school business teachers, have some vital information to share about credit cards, banking, check writing, budgeting—generally, the nuts and bolts of personal finance.

"Up to 10 percent of college students will drop out of school because of credit debt," reports Monroe County Bankruptcy Judge, Hon. John C. Ninfo, who founded the CARE (Credit Abuse Resistance Education) to help reduce the number of financially ruined young people he sees in his courtroom every day. The problem? Our "national epidemic of financial illiteracy," says Ninfo, who reports that "60% of students say they have not had a meaningful conversation with their parents about personal finance."

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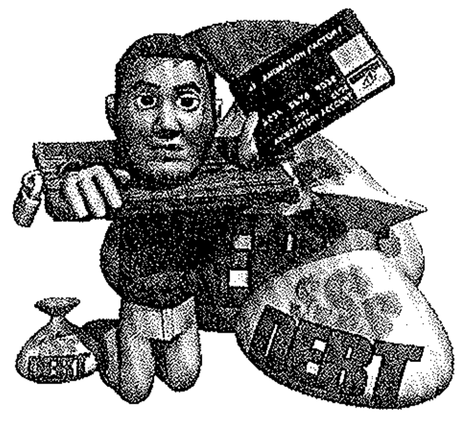
>
> **Monroe County Bankruptcy Judge**
> **Hon. John C. Ninfor**



High schools try to help

High schools are trying to pick up the slack. Brighton High School's Mike Blake teaches a half-year elective course *Personal Finance and Career*. "I'd like to see this kind of course be mandatory," said Blake, who puts students through the "real world" steps required to find a job, a roommate, establish a budget, pay bills, balance a checkbook, and buy a car. Students also learn some basics of running a business: credit, insurances, tax forms. "I was a financial analyst and saw how companies conduct themselves when they go bankrupt and when they are successful," said Blake.

'Economics Day'

In her *Personal Finance* course at Byron-Bergen High School, business teacher Marian Gerhardy has students manage their mock checking accounts by paying mock bills they receive, and handle other financial tasks. She said, "I've been out there in the business world and seen the bad decisions people make through insufficient information and education."

In April, 2007, Gerhardy organized an "Economics Day" for students at Byron-Bergen, inviting expert presenters on debt and credit, insurances, identity theft, and other financial protections. One presenter was Judge Ninfo, whose CARE program sends volunteer bankruptcy judges, private attorneys and other experts to talk to young people all around the country.

'Credit cards: not new money, more money, or free money'

Judge Ninfo delivered this key message to his young audience: resist the seductive lure of credit cards. Contrary to the glamorous messages on TV commercials [Life takes VISA], "credit cards are not new money, more money, or free money," says Ninfo. "They are debt and if you don't pay off your balances, they are absolutely the worst debt you can have, because of high interest rates and costly hidden fees." He added that bad credit reports make young adults "lose out on jobs, apartments, student loans, car loans, and admission to grad school." Meanwhile, the credit card industry is delighted to entice and entrap you, explained Ninfo, as they amass gross profits of over $18 billion (2005), with 35% of revenue from fees.

Doing the math

Two of Ninfo's eye-openers were:

(1) Even if you pay your Minimum Payment on your credit card balance every month, it doesn't cover your monthly interest. Therefore, your balance will keep growing even if you pay the minimum and stop charging.

(2) The average family's credit card balance in 2001 was $7,000.

With no further charges, at 20% interest, they owe $1,400 a year or $116 a month ... "and they haven't paid any of the $7,000. back yet. They have to pay out $1,400. for the privilege of still owing $7,000." Ninfo pointed out that by investing that $116.00 for retirement from ages 25 to 65, you'd have $300,000 in the bank.

Ten financial tips for students*

Create a budget. A realistic budget will identify exactly what you are spending your money on and shed light on your "needs" versus your "wants." See the College Budget article on the CARE website.

Open a savings account. You will need funds both for emergencies and anticipated expenses, like that extra book for a course, or car repairs. You will go broke relying on credit card loans for these.

Get creative about saving money. Buy at shopping clubs, use coupons, student discounts, look for the cheapest gas price.

Use cash, debit card or a check whenever possible. People tend to spend less using cash versus a credit card. So if it's under $20 or you can eat it or drink it, use cash.

Avoid credit card debt. Use a credit card only for convenience. Forty percent of credit card holders pay off their balance every month. The industry calls them "deadbeats" because they escape the high rates and fees. So, be a deadbeat! If for some reason you must carry a balance, pay at least 10% of the balance. Never make just the Minimum Payment and stop charging until you have paid off your balance

Pay your bills on time. Late payments are one of the worst things you can do to your credit rating—on credit cards, rent, telephone, utility and cell phone bills.

Minimize your student loan. Ask yourself if the job you are likely to get after college justifies the student loan debt you will incur. Keep your student loan debt to a minimum.

Other things to avoid: Impulse internet shopping, expensive behaviors like gambling and drugs, store credit cards, more than three-year car loans, pawn shops, rent-to-own and payday loan establishments. Avoid solicitations to open credit card accounts to get "free stuff." Those open accounts will hurt your credit rating even if you never activate or use them.

Remember the consequences of credit card and other consumer debt. Today, everyone is using credit checks to make decisions about employment, grad school, loans—about your future! Don't jeopardize it.

Visit the CARE website, www.careprogram.us, for helps with budgets, loans, money traps, etc.

**adapted from www.careprogram.us.*